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NINETY-EIGHTH CONGRESS

Congress of the United States

House of Representatives

COMMERCE, CONSUMER, AND MONETARY AFFAIRS
SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

RAYBURN HOUSE OFFICE BUILDING, ROOM B-377
WASHINGTON, D. C. 20515

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MAJORITY—(202) 225-4407

March 24, 1983

Hon. John E. Chapoton
Assistant Secretary for Tax Policy
Department of the Treasury
Washington, D. C. 20220

Dear Mr. Chapoton:

Your testimony is requested at a hearing by the Subcommittee on Commerce, Consumer, and Monetary Affairs into the use of offshore tax haven/tax treaty countries, particularly the Netherlands Antilles, by U.S. and foreign persons to evade U.S. tax laws; and the Treasury Department's actions to close tax treaty loopholes which permit tax evasion. A principal focus of the hearing will be Treasury's efforts to (1) ensure that income tax treaties do not permit evasion of taxes on U.S. source income; (2) renegotiate or terminate tax treaties with countries such as the Netherlands Antilles which fail to cooperate in the enforcement of U.S. tax laws; (3) improve information exchange provisions in tax treaties with tax haven countries so that the beneficial owners of so-called "bearer share" corporations and financial accounts can be identified when taxes are due the U.S. Treasury; and (4) find alternatives to maintaining the so-called Eurobond operation in the Netherlands Antilles.

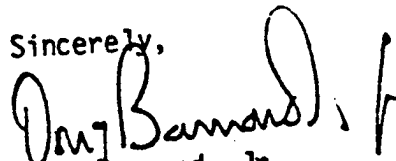
I request that you appear and testify on April 13, 1983, at 9:30 A.M. in room 2247, Rayburn House Office Building. Your testimony should address specifically each of the following:

1. Set forth, with particularity, a chronology and brief description of the Treasury Department's (a) knowledge of and (b) informal and formal efforts to prevent misuse of the U.S./Antilles tax treaty, culminating in the current treaty negotiations.
2. a. Set forth the U.S. position in the current tax treaty negotiations with the Netherlands Antilles as to (i) exchange of information documents necessary to identify the beneficial owners of bearer share corporation and nominee accounts subject to U.S. taxation (describe specifically the nature of the information documents sought); (ii) the use of "treaty shopping" by third country persons or entities to secure reduced tax rates and withholding on U.S. income; and (iii) continued U.S. corporate access to the Eurobond window in the Antilles.
b. As to each of the above issues, set forth the extent of agreement and disagreement between the U.S. and the Antilles, and describe the overall status of and timetable for completing the current negotiations.

3. Will the current U.S. negotiating position on the need for improvement in (a) the identification of the beneficial owners of Antillean "bearer share" corporations and financial accounts and (b) U.S. access to such information (see 2.a.(i) above), fully permit IRS to identify taxes due the U.S. Treasury on transactions to, through and from the Antilles that are subject to U.S. taxation? If not, what types of transactions, accounts or corporations would be excluded?
4. Set forth (a) the actions Treasury will take if the Netherlands Antilles does not accept the U.S. position with respect to each of the areas outlined in question 2.a. above; and (b) whether the U.S. Government will terminate the Antilles tax treaty as it did the British Virgin Islands treaty last year if a satisfactory settlement is not reached.
5. Describe (a) the extent to which our current tax enforcement problems with the Netherlands Antilles exist with other tax treaty or non-treaty nations and (b) how the Treasury Department intends to deal with these other countries even assuming a completely satisfactory settlement with the Antilles.
6. Describe alternatives to the current Eurobond operation in the Netherlands Antilles including legislative initiatives or moving the operation to a different country if an acceptable treaty cannot be concluded with the Antilles. Describe any discussions with or contacts from offshore jurisdictions regarding alternatives to current Eurobond arrangements.
7. a. Describe the position of the Department of Justice with respect to modifying the exchange of information provision in the Netherlands Antilles tax treaty; and the Department's role in the negotiations.
b. Describe the position of the Department of State on the issues under negotiation and its role in the negotiation.
8. How does the existence of tax treaty loopholes permitting evasion of U.S. taxes impact on this Nation's self-assessment tax system?
9. Provide a status report on Treasury's implementation of Section 342 of the Tax Equity and Fiscal Responsibility Act of 1982, which requires a refund with certification system or similar procedures for U.S. source income subject to U.S. taxation that is paid to foreign recipients.

Have your staff contact Peter S. Barash, the subcommittee staff director, if there are any questions. Please provide the subcommittee with five copies of your written testimony and attachments, if any, no later than April 8, 1983. Bring with you to the hearing 75 copies of your testimony. I look forward to your testimony and thank you for your cooperation.

Sincerely,


Doug Barnard, Jr.
Chairman

DB:dts:b